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UNFPA revised integrated budget for 2018-2021

Report of the Advisory Committee on Administrative and Budgetary Questions

Summary

The present report of the Advisory Committee on Administrative and Budgetary Questions on the revised integrated budget of UNFPA for 2018-2021 was presented to the Executive Director of UNFPA on 13 July 2018.

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report on the revised integrated budget for 2018-2021 for the United Nations Population Fund (UNFPA) (DP/FPA/2018/8). During its consideration of the report, the Committee met with the Deputy Executive Director for Management and other representatives of UNFPA, who provided additional information and clarification.

2. The Advisory Committee was informed that, subsequent to its consideration of the UNFPA proposed integrated budget for 2018-2021 (DP/FPA/2017/10)[1], a corrigendum to the proposed integrated budget was issued on 6 September 2017 (DP/FPA/2017/10/Corr.1), to reflect the deferment of the establishment of the Premises Capital Plan ($14.1 million) following extensive consultation with Member States. Consequently, the proposed institutional budget was adjusted from the proposed amount of $722.4 million to $708.4 million.

3. In its decision 2017/24 adopted on 11 September 2017, the Executive Board welcomed the UNFPA integrated budget for 2018-2021, submitted in conjunction with the UNFPA strategic plan for 2018-2021 (DP/FPA/2017/9). In the same decision, the Board also requested UNFPA to revise the integrated budget, based on the results of the comprehensive resources review, in order to increase efficiency and improve the balance between the institutional budget and programmes, in light of the overall decrease in expected resources, with the revised budget to be presented at the second regular session of 2018.

4. In accordance with UNFPA financial regulation 11.10, the Executive Director shall, inter alia, prepare revised proposals to amend the institutional budget and shall submit such proposals to the Executive Board. They shall also be submitted to the Advisory Committee for examination and report thereon to the Executive Board. The Committee's comments and observations in the present report therefore relate mainly to the institutional component of the revised integrated budget.

II. Revised integrated budget for 2018-2021

5. The report on the revised integrated budget for 2018-2021 for UNFPA (DP/FPA/2018/8) provides the strategic and financial context (section I), and updates to the integrated resource plan, integrated budget components (programmes and institutional budget), the integrated results and resources framework and cost recovery (section II). The draft decision for consideration by the Executive Board is contained in paragraph 79 of the report.

Strategic and financial context

6. The Advisory Committee notes from the revised integrated budget that in line with the 2030 Agenda for Sustainable Development, the UNFPA strategic plan for 2018-2021 sets out the vision for transformative changes in the lives of women, adolescents and youth in the next four years (DP/FPA/2018/8, para.1). The integrated results and resources framework (annex I to the strategic plan) comprises four development outcomes and four organizational effectiveness and efficiency outputs.

7. With respect to income projections, it is proposed to revise contribution targets to an overall total of $3,500 million ($1,400 million for regular resources and $2,100 million for other resources), representing an increase of $100 million (2.9 per cent) in other resources for the four-year period. It is indicated that the proposed increase in other resources targets, at $525 million per year, is a result of further analysis of the contribution trends now that the organization has a solid picture of the other resources revenue for 2017 ($712 million), compared with the decline of contributions during 2016. Moreover, contribution revenue recorded for other resources as at 30 April 2018 was already $64 million (or 31 per cent) more than that recorded as at 30 April 2017. It is therefore considered that the proposed targets are conservative in comparison with the approved contribution revenue targets for 2014-2017 (an

[1] The related report of the Advisory Committee (DP/FPA/2017/12) was issued in August 2017.

average of $596 million per year) (ibid, paras.9-14). Upon enquiry, the Advisory Committee was informed that, as at 1 June 2018, recorded other resources contributions amounted to $430 million, which was $197 million (or 84%) higher than that for the same period during 2017.

8. Furthermore, it is reported that over the past six years, UNFPA received a higher proportion of income earmarked as other resources contributions. UNFPA is well aware that the other resources projections are difficult to predict as this involves uncertainty to the timing and duration of funding commitments, donor priorities and preferences. UNFPA continues to prioritize regular resources and seeks to maintain a healthy balance between regular and other resources, as reiterated in General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR) (ibid., paras.7,13,14).

Revised integrated resource plan

9. The integrated resource plan for 2018-2021 has been revised as reflected in table 1 of the report (DP/FPA/2018/8), while figure 2 of the report shows the proportion of resources allocated to cost classification categories approved by the Executive Board (development activities; management activities; special purpose activities; and United Nations development coordination activities). For 2018-2021, it is proposed to allocate 84.9 per cent of total available resources to development activities, compared to 84.2 per cent in the approved budget (ibid., para.20).

10. It is indicated that the revised proposal improves the balance between programmes and the institutional budget, as resources available for programmes will increase from 80.2 per cent ($2,878.0 million) in the approved budget to 81.4 per cent in the revised proposal ($3,068.1 million or an increase of $190.1 million), while the institutional budget will decrease from 19.8 per cent to 18.6 per cent (see para.12 below) (ibid., summary and tables 1, 2 and 4).

III. Revised institutional budget for 2018-2021

11. The revised institutional budget[2] is proposed at $701.1 million, a decrease of $7.3 million from the originally approved amount of $708.4 million (see para.2 above). Information on the revised institutional budget is provided in paragraphs 38 to 43 and 57 to 77 of the report (DP/FPA/2018/8). Table 7 of the report summarizes the changes proposed for the revised institutional budget. It is indicated in the revised budget that the institutional budget is approved by the Executive Board as a nominal appropriation, which cannot be exceeded without the approval by the Board (ibid., para.38).

Comprehensive resource review

12. It is stated that the revised budget reflects the results of the comprehensive resource review undertaken to: (a) ensure a closer alignment between expected income for 2018-2021 with the budget for the same period; (b) review and recommend needed functions in the organization and relations among business units; and (c) ensure necessary staff skills to successfully implement the Strategic Plan, 2018-2021. Moreover, while not a cost-cutting initiative, the review focused on headquarters business units to improve efficiencies, cohesiveness and synergies and has led to a net reduction of $11 million from post reductions (ibid., paras.40, 61 and 62). It is also stated that extensive consultations have been held with the Executive Board throughout the process.

13. Upon enquiry, the Advisory Committee was informed that the comprehensive resources review aimed to ensure that UNFPA human and financial resources would be optimally deployed in support of the Strategic Plan. For this purpose, series of steps were undertaken to identify areas for streamlining. As part of the initial functional review, the following parameters

[2] The institutional budget includes the following approved cost classification categories: development effectiveness, United Nations development coordination, management and special purposes (see DP/FPA/2018/8, table 4, para.38 and annex 2.I.B).

had been identified and analysed starting in March 2017: (a) the strategic and programmatic positioning of UNFPA within the UN system vis-à-vis its Strategic Plans 2014-2017 and 2018-2021 and maximizing the collaborative value of sister UN agencies and building on and establishing new partnerships in view of the new QCPR; (b) the presence or non-presence of UNFPA in supporting countries in the context of the 2030 Agenda from the principle to "leave no one behind" and (c) resources and support services necessary for the delivery of services and a corresponding structure and skill set that would improve efficiencies, cohesiveness and synergies between various levels of the organization.

Post changes

14. With respect to post changes, the revised proposal includes a total of 1,060.5 posts, representing a net reduction of 28 posts (22 at headquarters and 6 in the field), compared with a total of 1,088.5 in the approved budget. A summary on post changes is provided in paragraphs 75 to 77 and table 8 of the report, while information on post changes by functions and offices is provided in paragraphs 63 to 69 of the report.

15. With respect to the new international professional posts outlined in paragraphs 66, 67 and 69 of the revised integrated budget, the Advisory Committee was informed upon enquiry that the post levels are as follows: (a) P-5, P-4 and P-3 for the three new posts, respectively, in country offices discussed in paragraph 66; (b) one P-5 post for strengthened coordination in protection against sexual exploitation and abuse mentioned in paragraph 67-68; and one P-4 and one P-3 posts for strengthening investigations functions in paragraph 69 (proposed for two years to be reviewed at the mid-term review of the budget).

16. Concerning the rationale for the proposed upgrade of one post from D-1 to D-2 (ibid., para.76 (a)), the Advisory Committee was informed upon enquiry that the role of the Chief of Staff in any organization deals with an array of complex issues and as such, under the classification standards of the International Civil Service Commission, the role is classified at the D-2 level. The Committee was also informed that this classification is consistent with similar roles in sister United Nations agencies and that the most recent incumbent of the post was graded at the D-2 level.

17. **The Advisory Committee is of the view that more detailed information on all post changes proposed in the revised budget should be provided to the Executive Board at the time of its consideration of the present report.**

18. Upon request, the Advisory Committee received a breakdown of the posts in the field and at headquarters proposed in the revised institutional budget for 2018-2021. The Committee notes that of the proposed 431.5 international professional posts, only 226 posts are in the field and 205.5 at headquarters. **The Advisory Committee trusts that UNFPA will continue to review its staffing composition and locations in future budget proposals to ensure effective and efficient implementation of its programme.**

19. **With respect to the presentation of the integrated budget, the Advisory Committee recalls that it welcomed the budget harmonization exercise undertaken by UNDP, UNFPA and UNICEF, including the improved alignment between resources and the strategic plan, and that it recognized that UNFPA had incorporated the results-based budgeting approach into its integrated budget[3] as approved by the Executive Board (DP/FPA/2013/15 and DP/FPA/2016/4). The Committee expects that UNFPA improves analysis of variances between expenditures against planning estimates as requested by the Executive Board in decision 2016/10. Furthermore, the Committee is of the view that such information should be reflected in future integrated budget proposals and mid-term reviews.**

[3] Following the harmonization of the budget presentation and for the first time for the 2014-2017 period, the allocation of resources in UNFPA was presented according to the four development outcomes and three organizational effectiveness and efficiency outputs in the context of the integrated results framework. The budget linked the high-level allocation of resources to results-based budgeting results in the strategic plan, instead of providing input-based information (see DP/FPA/2013/15, paras.3 and 4; DP/FPA/2016/4, paras.10 and 11).

Reserve for Field Accommodation

20. Given the continued deferral of the establishment of the Premises Capital Plan (see para.2 above) and the consequent exclusion of provisions for headquarters premises maintenance from the 2018-2021 approved budget (DP/FPA/2018/8, paras.70 and 71), it is proposed to extend the use of the existing Reserve for Field Accommodation for headquarters premises, which would enable a planned preventive maintenance programme at the headquarters premises and allow for the necessary capital improvements until the Premises Capital Plan is established. Upon enquiry, the Advisory Committee was informed that since the existing Reserve for Field Accommodation mechanism has an annual allocation of $5 million, the proposal to expand to the use of the reserve would not require additional financial resources.

Cost recovery

21. The revised institutional budget estimates of $701.1 million for 2018-2021 include an amount of $155.6 million for indirect cost recovery from other resources (ibid., para.79 (e)). Detailed information on cost recovery based on the current harmonized methodology approved by the Executive Board in decision 2013/9 is provided in annex 2 to the revised budget report (DP/FPA/2018/8). It is indicated that UNFPA would implement changes to the current methodology in coordination with the other United Nations funds and programmes that share a harmonized cost recover model (ibid., para.78).

22. Upon enquiry, the Advisory Committee was informed that the Executive Boards of the four agencies (UNDP, UNFPA, UNICEF and UN Women) had acknowledged the progress made in cost alignment through the implementation of the cost-recovery policy, and requested all four organizations to continue consultations with Member States and present new proposals for consideration. Consequently, two alternatives had been presented to the Boards: (a) maintaining the current harmonized methodology and harmonized rate; and (b) modifying the harmonized methodology, by implementing a modular approach, and apply different rates. The Committee was informed that the Board is currently evaluating the proposals (DP/FPA-ICEF-UNW/2018/1) and a decision is expected in the upcoming second regular session in September 2018. The Advisory Committee notes that this is in accordance with the request of the General Assembly in its resolution on the QCPR (A/71/243, para.35).

23. The Advisory Committee recalls that the harmonized cost-recovery methodology and rates approved by the Executive Boards of UNDP, UNFPA, UNICEF and UN Women aimed to improve the proportional use of regular resources and other resources to fund management activities and related costs (E/ICEF/2016/AB/L.2, para. 85). The Committee also welcomed the increasing percentage of the institutional budget from cost recovery (DP/FPA/2016/4, para.16). The Advisory Committee looks forward to the outcome of the current review of the new proposals on cost recovery.

IV. Other matters

24. With respect to UNPFA Financial Regulation 11.8 on the utilization of a budgetary contingency provision, the Advisory Committee was informed upon enquiry that so far, UNFPA has not had to utilize this regulation, as it has not exceeded the budget appropriation of a budget period. As a result, there were no instances where such reporting was needed. **The Committee trusts that potential utilizations of a budgetary contingency would be reported as stipulated in Regulation 11.8**.